



# Fonterra Shareholders' Fund

## 2023 Annual Meeting

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13 November 2023



# 01

**MJ Daly**  
FSF Chair

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Welcome and  
Introduction

# Online question process

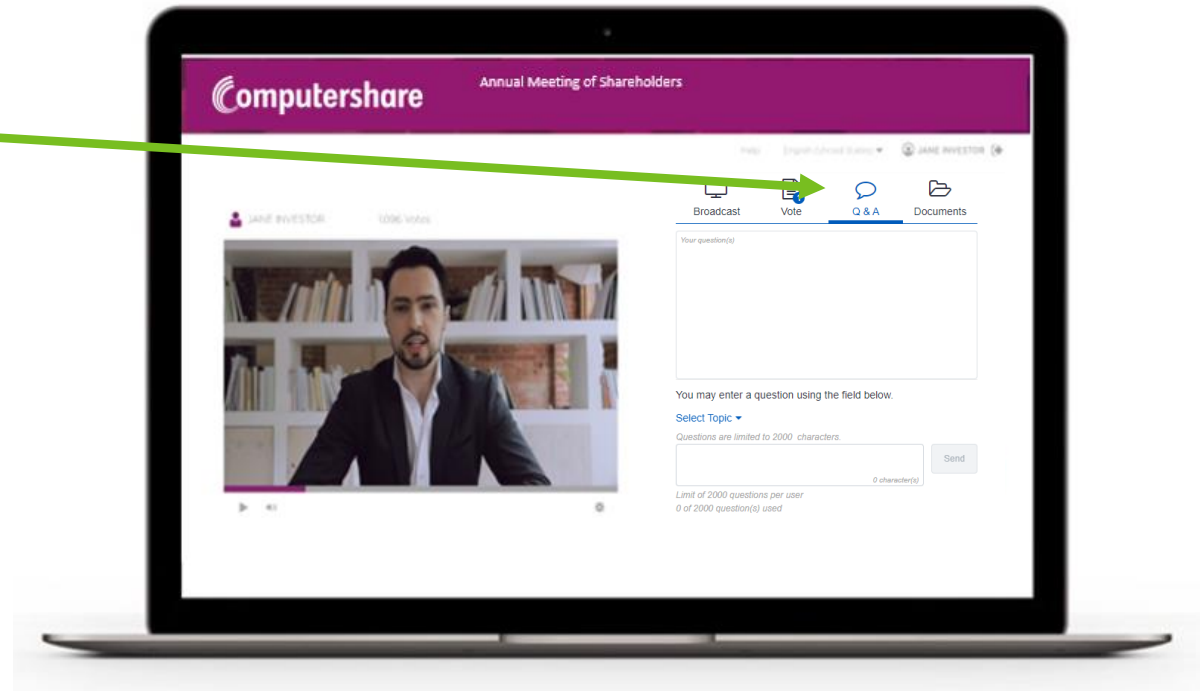
## Unit holder & Proxyholder Q&A Participation

### Written Questions:

- Questions may be submitted ahead of the meeting
- If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime
- Type your question into the field and press submit
- Your question will be immediately submitted

### Help:

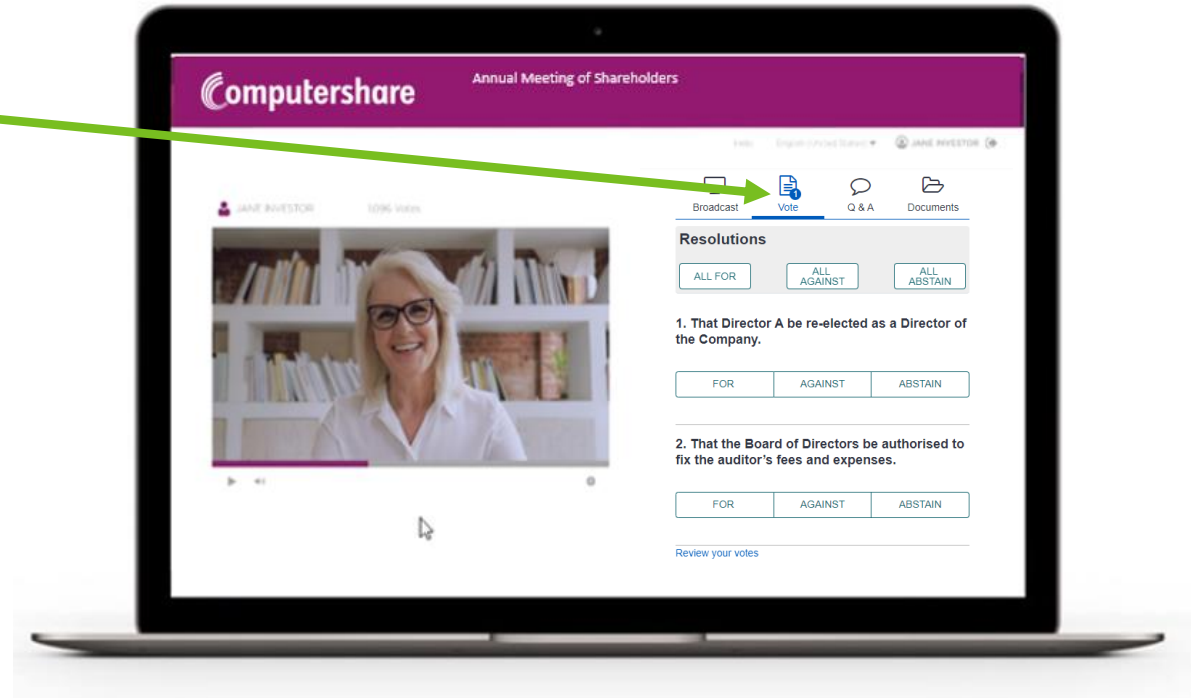
- The Q&A tab can also be used for immediate help
- If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly



# Online voting process

## Unit holder & Proxyholder Voting

- Once the voting has been opened, the resolution and voting options will allow voting
- To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen
- Your vote has been cast when the tick appears
- To change your vote, select 'Change Your Vote'



# Agenda

**01**

**MJ  
Daly**

Welcome and  
Introduction

**02**

**MJ  
Daly**

FSF  
Management  
Company  
Chair's  
address

**03**

**Peter  
McBride**

Fonterra  
Chair's  
address

**04**

**Miles  
Hurrell**

Fonterra  
Chief  
Executive  
Officer's  
address

**05**

**MJ  
Daly**

Questions

**06**

**Alastair  
Hercus**

Resolution to  
re-elect  
MJ Daly

**07**

**MJ  
Daly**

General  
Business

# Fonterra Shareholders' Fund Board of Directors

FONTERRA  
SHAREHOLDERS'  
FUND.



**MJ Daly**  
Chair



**Carlie Eve**



**Alastair Hercus**



**John Nicholls**



**Andy Macfarlane**

## Fonterra Team



**Peter McBride**



**Miles Hurrell**



**Simon Till**



**Selena Robb**



**Jackie Floyd**



# 02

**MJ Daly**

FSF Chair

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FSF  
Management  
Company  
Chair's address

# FSF Management Company Chair's address

## Improved performance in 2023



- Strong financial result driven by Fonterra's protein and cheese portfolios
- Capital return of \$804 million was paid to Fonterra shareholders and unit holders
- Total cash distribution of \$1.00 per unit
  - 50 cents from dividends
  - 50 cents from capital return
- Flexible Shareholding capital structure implemented on 28 March 2023

**Reported profit after tax<sup>1</sup>** **\$1.58 billion**

**Normalised profit after tax<sup>1</sup>** **\$1.33 billion**

**Normalised Earnings per share<sup>2</sup>** **80 cents**

**Total cash distribution** **\$1.00 per unit**

Note: For the year ended 31 July 2023.

1. Includes Continuing and Discontinued Operations. Includes amounts attributable to non-controlling interests.

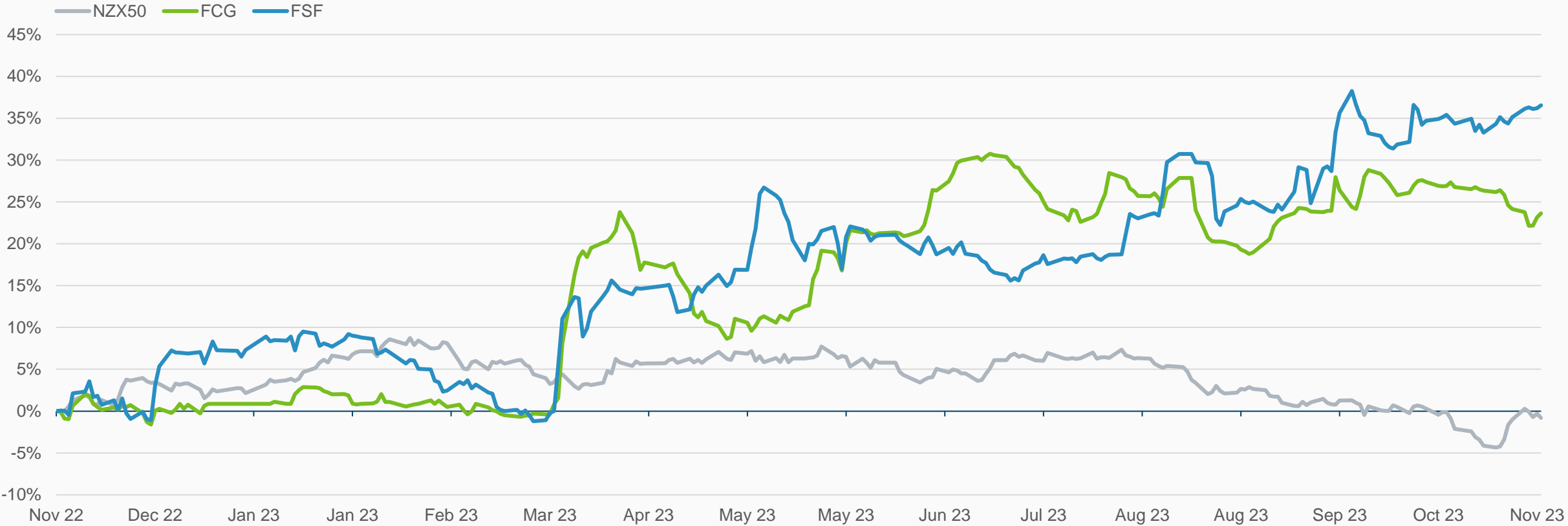
2. Excludes amounts attributable to non-controlling interests.



# Total Shareholder Return for past 12-months



- FSF Total Shareholder Return (TSR) since 2022 AGM is 36.5%
- Comparatively, FCG and the S&P NZX50 Index TSR for the same period are 23.6% and (0.8)% respectively

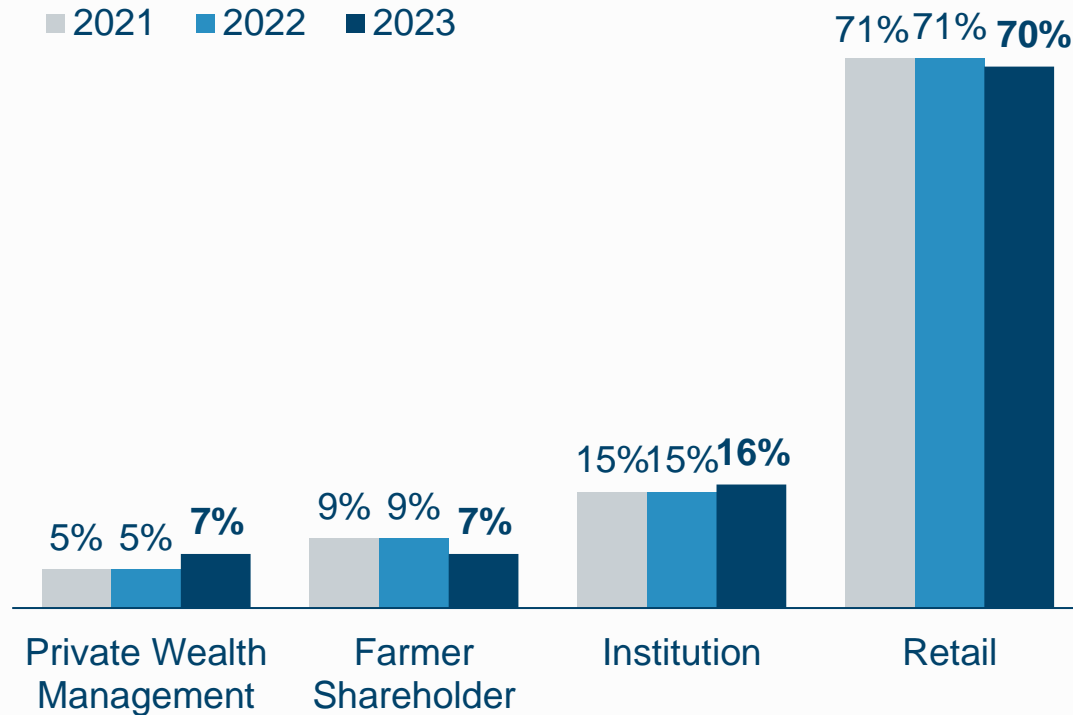


Note: Total Shareholder Return (TSR) is calculated from value weighted average traded prices for the period 14 November 2022 to 10 November 2023.

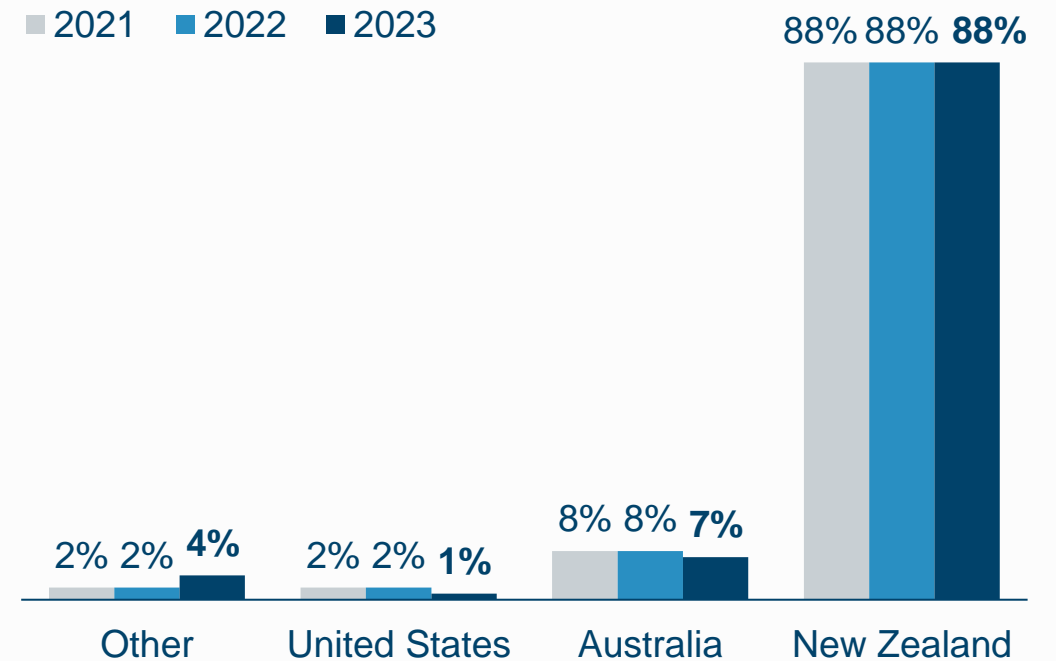
# Unit register analysis

- Small increase in private wealth management and institution holdings
- Majority of register held in New Zealand, with a slight downward shift in the United States and Australia

## Investor Type



## Investor Location



Note: Register data is as at 31 October.

# Key Fund statistics as at 10 November 2023

FONTERRA  
SHAREHOLDERS'  
FUND.



Units on Issue <sup>1</sup>	<b>107 million</b>	no change
Fund Market Capitalisation <sup>1</sup>	<b>\$337 million</b>	\$12m ↑
Fonterra Market Capitalisation <sup>1</sup>	<b>\$3.5 billion</b>	\$0.6b ↓
Fund Size <sup>1,2</sup>	<b>6.7%</b>	no change
Unit Price 12-month High/Low <sup>3</sup>	<b>\$3.88</b> (14 Aug 23) / <b>\$2.94</b> (10 May 23)	

1. At 10 November 2023, relative to 11 November 2022.

2. Fonterra Shareholders' Fund units on issue as a percentage of Fonterra Co-operative Group shares on issue.

3. 12 month period, 11 November 2022 – 10 November 2023.



# 03

## Peter McBride

Fonterra Chair

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Fonterra Chair's  
address

# Key performance outcomes

Return on capital

12.4%

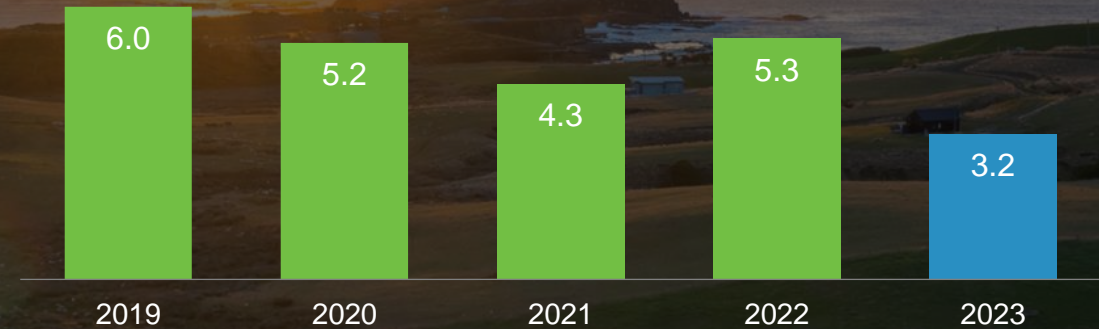
↑ from 6.8%

Profit after tax

\$1.6b

↑ from \$583m

Net debt (\$ billion)



Dividend

50c

↑ from \$0.20

Farmgate Milk Price

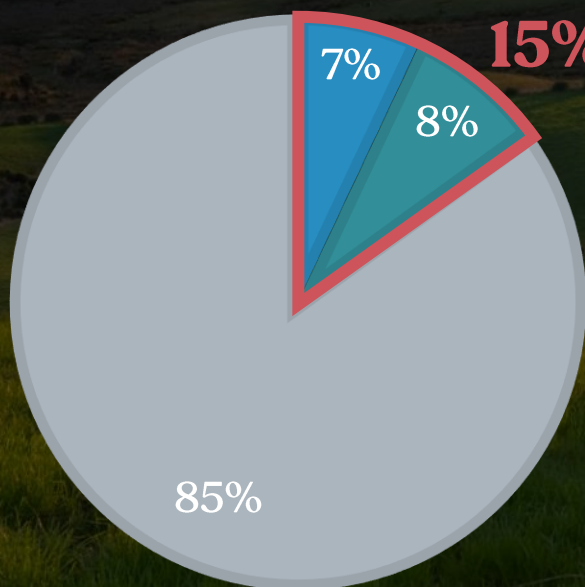
\$8.22

↓ from \$9.30

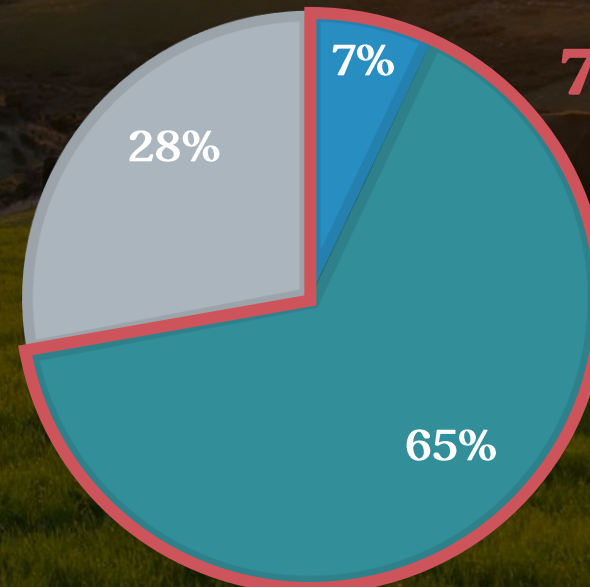
# Flexible Shareholding changes the landscape

- Discretionary shares have increased from 15% to 72% under Flexible Shareholding
- Increased alignment between FSF unit holders and farmers in FCG

Trading Among Farmers



Flexible Shareholding



# Review of the Co-op's Board size and composition

Board size reduced from 11 to 9 Directors

**6** Farmer Elected Directors

**3** Appointed Directors

Chair still selected from Farmer Elected Directors

- Current Board operating well. Changes are future focused
- Smaller groups usually encourage:
  - Dissenting views
  - More meaningful sharing of perspectives
  - Faster, robust decision making
- 6:3 composition strikes a balance between a strong and diverse level of perspectives, skills and experiences, and manageable workloads
- Changes would take effect after 2024 Annual Meeting

# Outlook for 2024



Forecast 2023/24 season  
Farmgate Milk Price  
**\$6.50–\$8.00**  
per kgMS

Continuing operations  
forecast earnings  
**45–60c**  
per share





# 04

## Miles Hurrell

Fonterra CEO

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Fonterra Chief  
Executive Officer's  
address

# We've had a good year



Return on capital

12.4%

↑ from 6.8%

Profit after tax

\$1.6<sub>b</sub>

↑ from \$583m

Earnings per share

95<sub>c</sub>

↑ from 36c

Cash operating expenses per kgMS

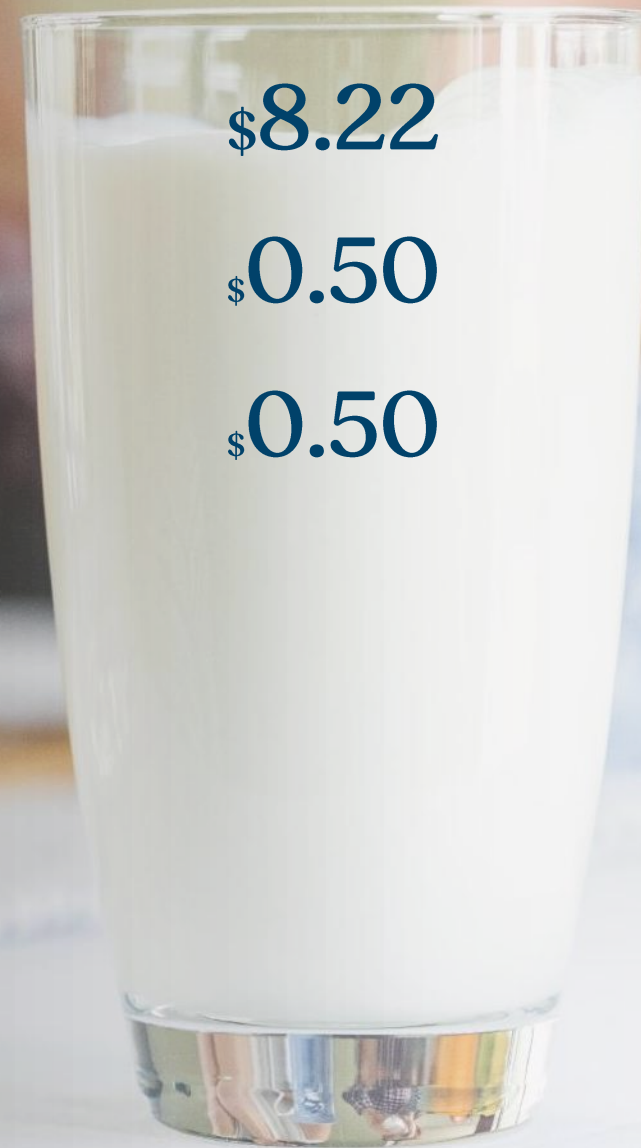
\$1.39

↑ 3.7%

Gross profit from Core Operations per kgMS

\$9.21

↑ 4.3%



\$8.22

FGMP

↓ from \$9.30

\$0.50

Dividend

↑ from \$0.20

\$0.50

Capital Return

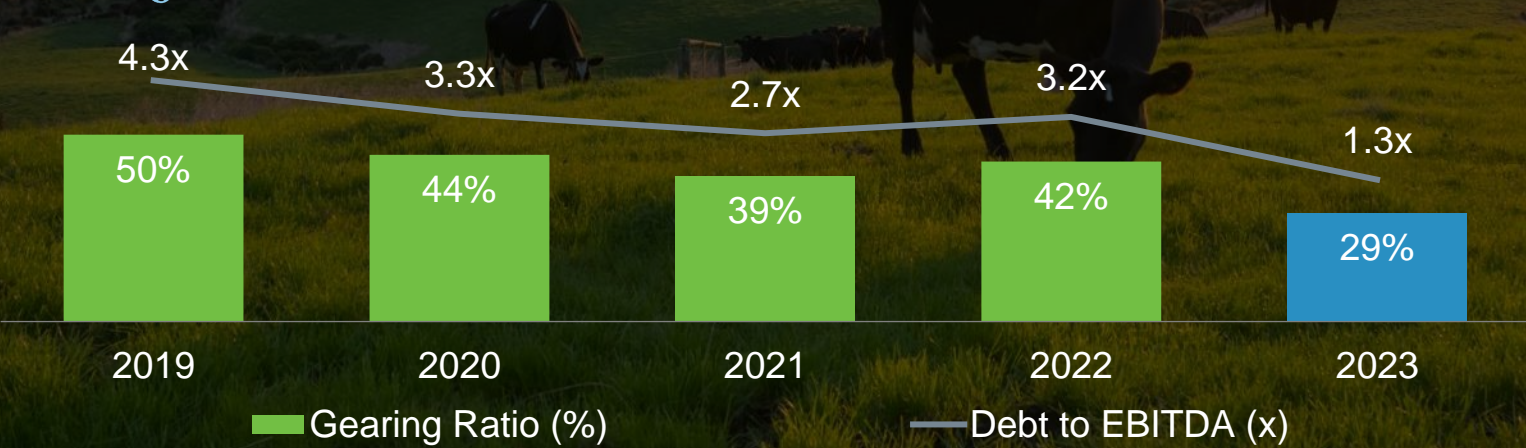
# Balance sheet strengthened



Net debt (\$ billion)

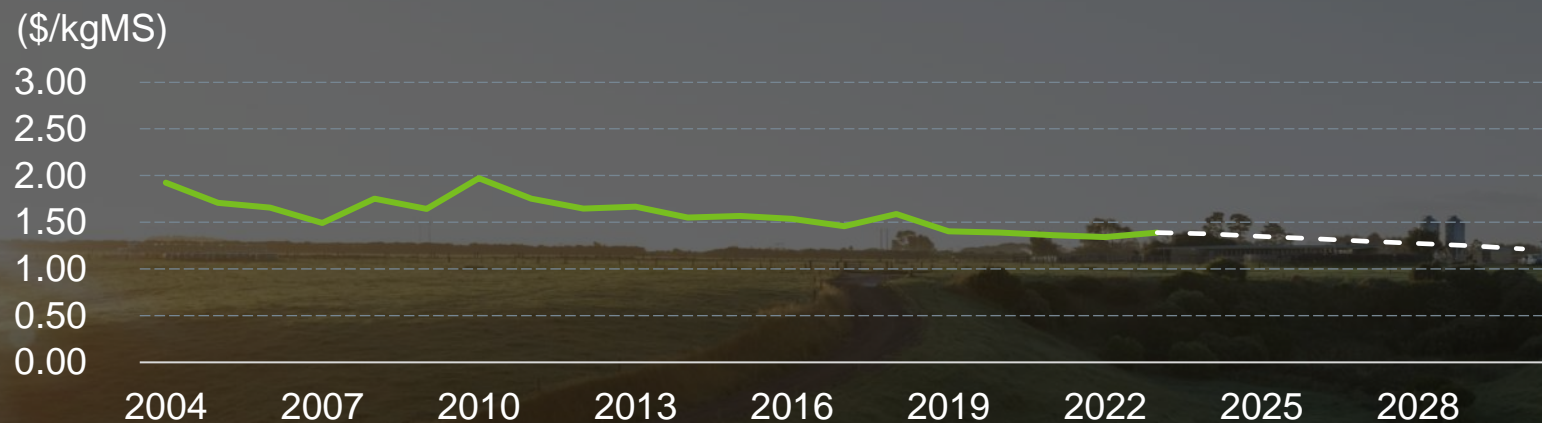


Leverage



# Two new efficiency metrics to assist long-term aspirations

Cash operating expenses per kgMS – targeting a 4% cash operating cost improvement every year



Fonterra aspires to safely and sustainably remove ~\$1 billion from its cost base by 2030

Gross profit from Core Operations per kgMS – targeting a 2% New Zealand operational cash cost improvement every year



— Inflation Adjusted  
 - - - Long-term Aspiration

# Resource Allocation Framework introduced driving disciplined allocation of resources

Sustain safe, productive operations

Collect and Process Milk

Sustaining Capital



Competition for milk

Preliminary Cash Flow from Core Operations

Ingredients

Foodservice

Consumer



Competition for cash

Preliminary Cash Flow

Debt

Dividends

Capital Returns

Growth Capital

Innovation

Share Buybacks



Reported Cash Flow

Strong Balance Sheet

Outcomes for the Shareholder

Total Shareholder Returns

Farm Profitability

# Forecast 2023/24 season Farmgate Milk Price

## Forecast Farmgate Milk Price

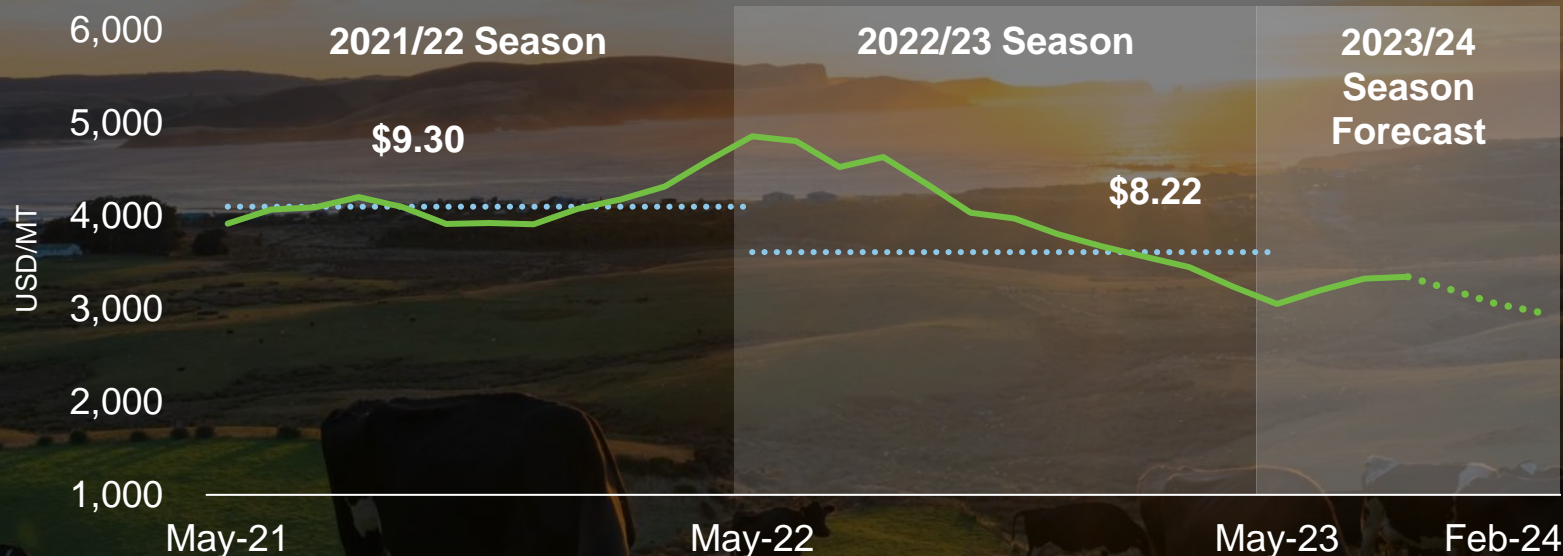
**\$6.50–\$8.00**

per kgMS

The range reflects:

- Ongoing reduced demand for whole milk powder, although we have seen strengthening in prices recently as supply and demand dynamics improve.

## Reference Product Prices



- Reference product shipment price
- ..... Average reference product shipment price for the season
- ..... Reference product contract shipment price

# FY24 earnings outlook

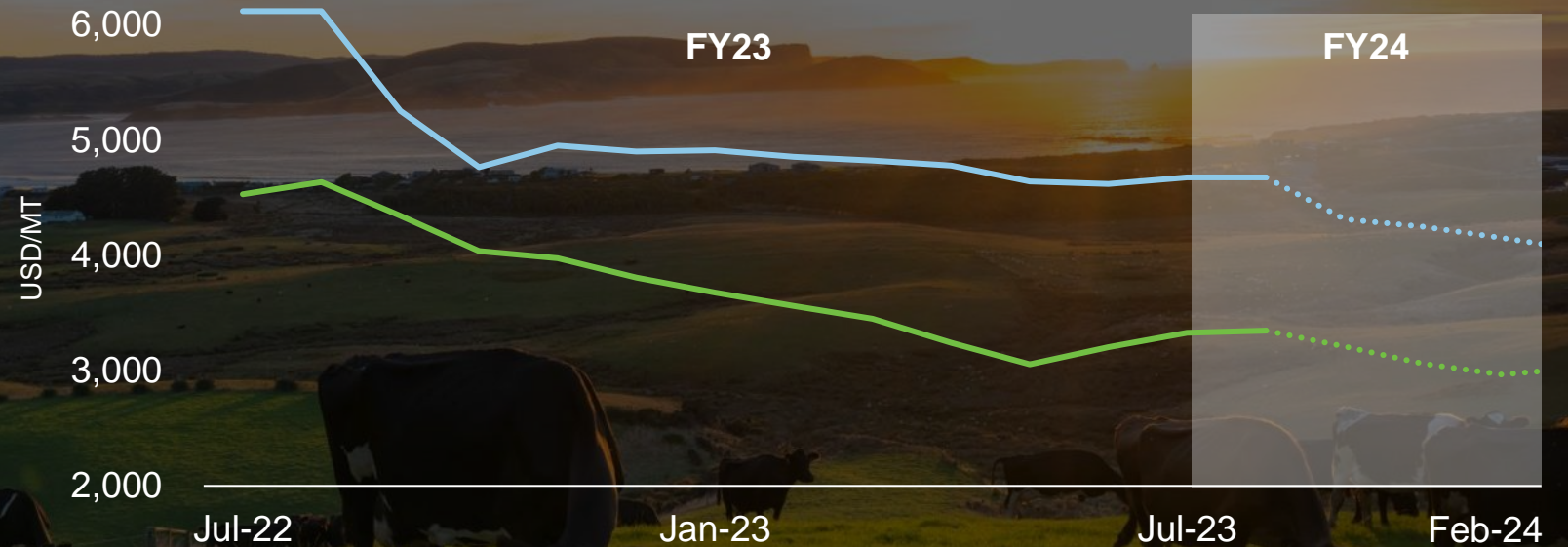
Continuing operations  
forecast earnings

**45-60c**  
per share

The range reflects:

- Favourable Ingredients margins continue but lower than FY23
- Lower milk costs assisting improved margins in Foodservice and Consumer channels

## Reference and Non-Reference Product Prices



- Non-Reference Product shipment price
- Reference Product Shipment price
- ..... Non-Reference Product contract shipment price
- ..... Reference Product contract shipment price

# A recap of our strategic priorities



Focus on New Zealand milk



Be a leader in sustainability



Be a leader in dairy innovation and science



# Key drivers of our on-farm emissions approach



Access to markets  
and customers



Access to  
future funding



Increased legal  
and reporting  
obligations



Our strategic choice  
to lead in  
sustainability

# Our on farm emissions reduction target



We have set a new target related to on-farm emissions

30%

intensity reduction\* by 2030 from a 2018 baseline

\*per tonne of Fat and Protein Corrected Milk

# We see a credible pathway



30%

Reduction in on-farm emissions per tonne of Fat and Protein Corrected Milk (FPCM) by 2030 from a 2018 baseline



On-farm actions

7%

Supporting farmers to continue to adopt best practice farming



Novel technology

7%

Scaled up and commercially viable novel technologies



Carbon Removals

8%

Carbon removals from existing and new vegetation



Historical land use change

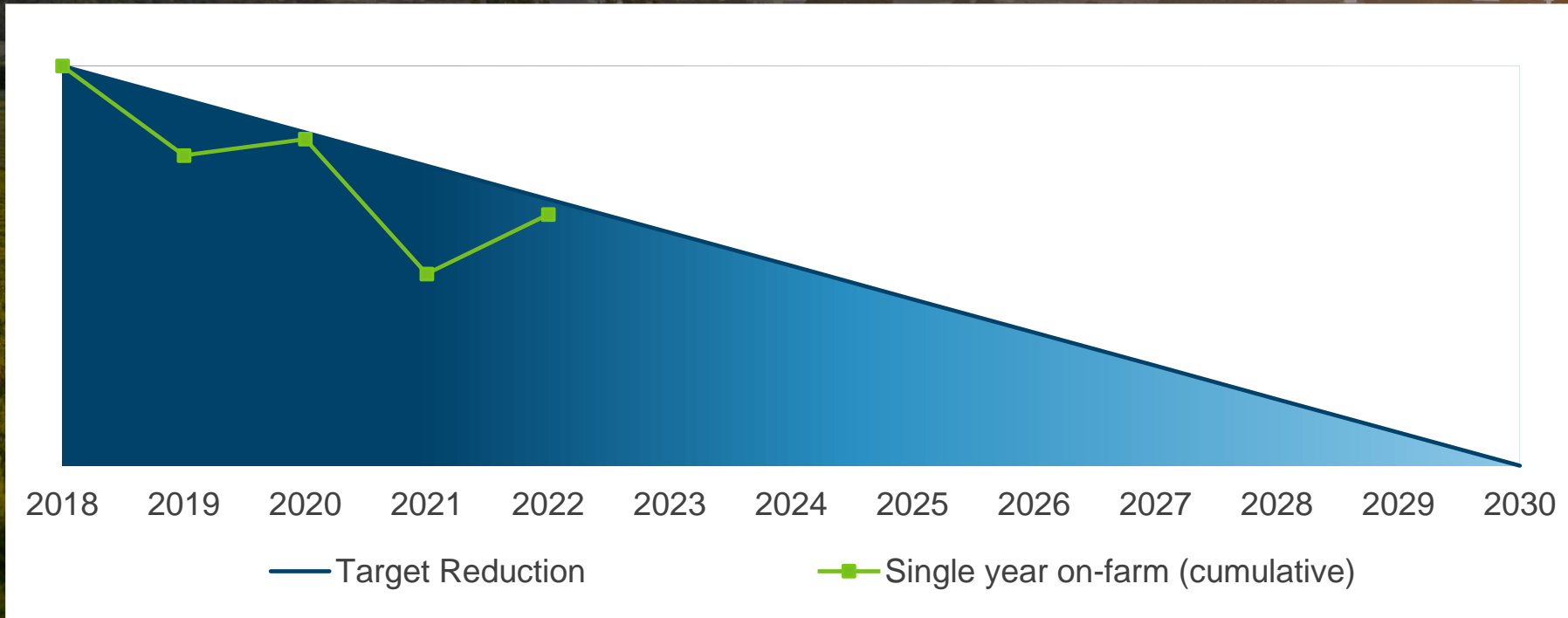
8%

Historical land-use change conversions into dairy land

# The hard work is already paying off



We've already made progress against the on-farm actions portion of our target  
Progress assessed against Emissions/kgMS incl. Organic soil and Land Use Change



# 05

## Questions





# 06

## Resolution and Voting

# Resolution 1: Re-election of Mary-Jane Daly

FONTERRA  
SHAREHOLDERS'  
FUND.



# Resolution 1

To re-elect Mary-Jane Daly who retires by rotation and stands for re-election as a director of the Manager of the Fund





# Proxy voting

## Mary-Jane Daly

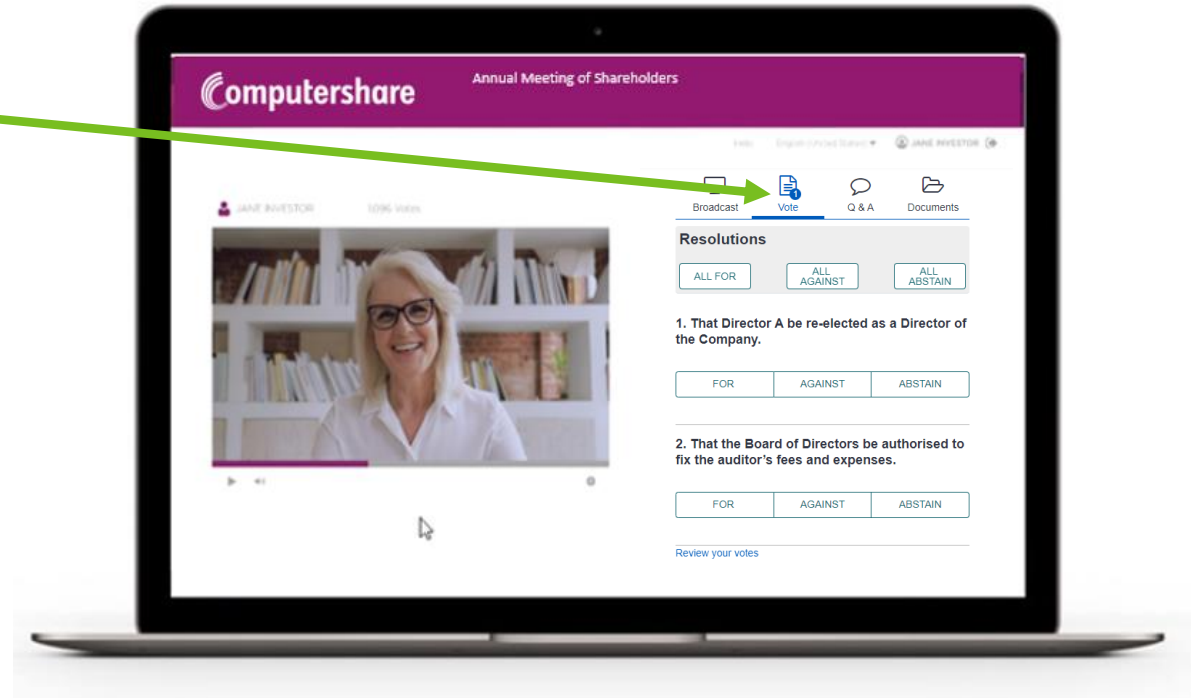


As at 9am Saturday 11 November 2023

# Online voting process

## Unit holder & Proxyholder Voting

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- Your vote has been cast when the tick appears
- To change your vote, select 'Change Your Vote'



# Voting

- In respect of the resolution, please tick the “for”, “against” or “abstain” box.
- Once you have completed your voting, please place your vote in a ballot box.
- Please raise your hand if you require a pen.
- Results will be announced to the NZX and ASX as soon as they are available.



# Fonterra Shareholders' Fund

## 2023 Annual Meeting

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13 November 2023



# 07

## General Business



**FONTERRA  
SHAREHOLDERS'  
FUND.**



Dairy for life

**Thank you, meeting closed**